

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 97-239-C - ORDER NO. 98-201
MARCH 17, 1998

IN RE: Proceeding to Establish Guidelines for an) ORDER
Intrastate Universal Service Fund.) GRANTING
) RECONSIDERATION
) IN PART

This matter comes before the Public Service Commission of South Carolina (the Commission) on the Petition for Rehearing and Reconsideration of Commission Order No. 97-942, filed by the South Carolina Telephone Association (SCTA or the Association).

Among other grounds, SCTA requests that we reconsider deletion of the second and fourth sentences of the third bullet item of Section 6 of SCTA's proposed USF Guidelines. These sentences provide as follows:

Second sentence: "However, the level of USF support such a carrier (i.e., a carrier that leases UNEs) may receive shall not exceed the difference between the sum of the prices paid for the UNEs utilized in providing the defined basic local exchange telecommunications service and the established maximum price allowed to be charged to the end user consumer."

Fourth sentence: "The ILEC providing non-discriminatory access to UNEs to competing COLRs shall receive the difference between the level of universal support provided to the competing COLR and the per-line support previously provided to the ILEC."

According to SCTA, the second sentence ensures that certain carriers of last resort (COLRs) will not receive universal service support amounts that exceed the cost of providing service in a particular area. SCTA asserts that it is very important not to provide incentives for UNE purchasers to take advantage of the USF system by allowing them to recover more than the difference between their cost of providing service and the maximum amount they may charge for those services. This declaration appears to be supported by Federal Communications Commission (FCC) Order No. 97-157 in CC Docket No. 96-45, the Order on Universal Service.

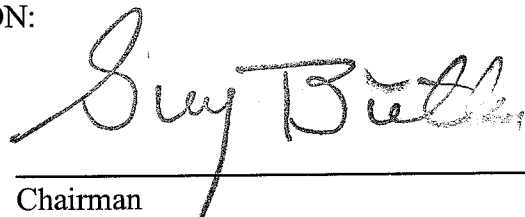
With regard to the fourth sentence, SCTA alleges that this sentence ensures that the ILEC is compensated for maintaining the facilities necessary to provide universal service. According to SCTA, absent true facilities-based competition in a given area, the cost of serving a customer is the cost incurred by the incumbent LEC less any amounts the ILEC recovers--i.e., the maximum price it may charge for the service or the amounts the ILEC may recover through the lease of its facilities. The residual USF support, i.e., the difference between the calculated support for a particular access line and the amount that the UNE purchaser receives in universal service support, represents a cost incurred by the ILEC and the corresponding universal service support should go to the ILEC. SCTA states that this is a fair method by which to recognize and compensate the ILEC for the fact that universal service cannot exist without the underlying facilities being operated and maintained by the ILEC. This principle, again, appears to be supported by FCC Order No. 97-157 in CC Docket No. 96-45.

We have considered these matters, and hold that reconsideration of the deletion of the above-stated paragraphs is appropriate. In fact, based on the reasoning as stated by SCTA in its Petition, we do now re-adopt the language in those specific paragraphs as part of this Commission Order. We believe that we need to ensure that no provider is over-compensated from universal service funds for providing its service, however, at the same time, we also need to ensure that an ILEC is compensated for maintaining the facilities necessary to provide universal service. We hold that reinstituting the language in the two paragraphs allows this Commission to meet both of these goals.

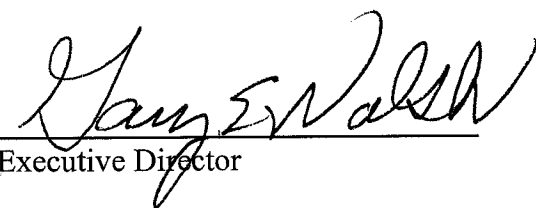
This Commission has examined the remainder of the Petition, and we find that the remaining stated grounds are non-meritorious. The remainder of SCTA's Petition is therefore denied.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Deputy Executive Director

(SEAL)